

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0622-01
Bill No.: HB 563
Subject: Health Care; Medicaid; Social Services Department
Type: Original
Date: March 8, 2011

Bill Summary: This legislation adds prescribed, medically necessary hearing aids to the list of services covered under the MO HealthNet Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Greater than \$547,658)	(Greater than \$556,529)	(Greater than \$576,564)
Total Estimated Net Effect on General Revenue Fund	(Greater than \$547,658)	(Greater than \$556,529)	(Greater than \$576,564)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Federal	\$0*	\$0*	\$0*
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0*	\$0*	\$0*

* Income and expenditures net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 208.152:

Officials from the **Department of Health and Senior Services** and **Department of Mental Health** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state currently, hearing aids and related covered services are offered to MO HealthNet participants who receive a full benefit package under a category of assistance for children, pregnant women, the blind or nursing facility residents. Covered services include audiological testing, hearing aids, ear molds, hearing aid fitting, hearing aid dispensing/evaluation, post-fitting evaluation, post-fitting adjustments, and hearing aid repairs. All hearing aids and related services must have prior approval except audiometric testing, post-fitting evaluation, post-fitting adjustment, and repairs to hearing aids no longer under warranty. The current prior approval process is paper-based and not electronic.

There would be a cost to the MHD to provide these services to participants who do not receive a full benefit package. Costs were obtained for fee-for-service participants who received hearing aids and related services in FY 05 and whom would be in a limited benefit category now. Since there have been no rate increases for these services since FY05, no inflation was applied for years FY05 through FY11. Costs were inflated by 3.6% from FY12 through FY14.

Costs for fee-for-service participants:

FY12 (10mths):	Total \$1,219,445 (\$447,658 GR);
FY13:	Total \$1,516,014 (\$556,529 GR);
FY14:	Total \$1,570,591 (\$576,564 GR).

The MHD assumes this legislation will apply to MO HealthNet Managed Care health plans. Therefore, there would be an unknown fiscal impact to the MHD for the increase in managed care capitation rates due to the additional services, the cost of the actuarial consultant for MHD to re-negotiate the current contracts with the managed care health plans, and notification to be prepared and sent to all MO HealthNet Managed Care enrollees.

ASSUMPTION (continued)

Therefore, the estimated fiscal impact to MHD for Managed Care participants is unknown but less than \$100,000 in the first year for the actuarial analysis and unknown in subsequent years for any possible rate increase.

Cost for MO HealthNet Managed Care:

FY12: Unknown < \$100,000 (unknown < \$50,000 GR);
FY13: Unknown;
FY14: Unknown.

In addition the bill requires that a web-based prior authorization system is used to verify medical need. The hearing aid program currently uses a paper-based prior authorization system. MHD uses a web-based prior authorization system for other services but does not have the system prepared to accommodate the hearing aid program. Algorithms will need to be developed for the hearing aid program and that cost will occur only one time in the first year of the fiscal note. The cost is unknown but is anticipated to be under \$100,000.

Cost for Web-based PA System:

FY12: Unknown < \$100,000 (unknown < \$50,000 GR);
FY13: \$0;
FY14: \$0.

Total Cost:

This legislation is subject to appropriation so the cost is stated as a range.

FY12: (10 months): Total \$0 to greater than \$1,419,445 (GR \$0 to greater than \$547,658);
FY13: Total \$0 to greater than \$1,516,014 (GR \$0 to greater than \$556,529);
FY14: Total \$0 to greater than \$1,570,591 (GR \$0 to greater than \$576,564).

Oversight has, for fiscal note purposes only, assumed this proposal will be appropriated and reflexed the cost without a "\$0 to" range.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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GENERAL REVENUE FUND

<u>Costs - Department of Social Services</u>			
Increase in program costs	(Greater than \$547,658)	(Greater than \$556,529)	(Greater than \$576,564)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Greater than \$547,658)	(Greater than \$556,529)	(Greater than \$576,564)
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FEDERAL FUNDS

<u>Income - Department of Social Services</u>			
Increase in program reimbursements	Greater than \$871,787	Greater than \$959,485	Greater than \$994,027

<u>Costs - Department of Social Services</u>			
Increase in program costs	(Greater than \$871,787)	(Greater than \$959,485)	(Greater than \$994,027)

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

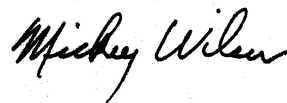
Section 208.152:

This proposal adds prescribed, medically necessary hearing aids to the list of services covered under MO HealthNet benefits. Coverage of hearing aids will be subject to appropriations, and medical need will be verified using an electronic web-based prior authorization system using best medical evidence and care and treatment guidelines consistent with national standards.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health
Department of Health and Senior Services
Department of Social Services



Mickey Wilson, CPA
Director
March 8, 2011